

## Chapter 12 - Project Accounting

### INTRODUCTION

Accounting for project costs is an important activity in state agencies. In R★STARS, this requirement will be met through the use of the Grant/Project Billing Subsystem (Release 98-2), which is designed to accumulate cost information for various types of grants and projects, and optionally generate accounting transactions which record the effect of billing for the costs incurred. These projects are unique fiscal centers used to accumulate expenditures, revenues, budgetary information and appropriate statistics independent of the organization, program, object and fund structures used in R★STARS. This capability allows costs to be controlled, reported, and billed with or without regard to fiscal year and can be used for:

- **Capital Projects** — which are typically funded internally, although funding may be from outside sources.
- **Interagency Agreements** — which are agreements for one agency to provide services to another agency within the state and may or may not be reimbursable.
- **External Projects** — which may be funded by sources external to the state.
- **Other Projects** — are not classified as one of the above, such as internal groupings.

Throughout the R★STARS documentation, the term “project” includes capital projects, interagency agreements, external projects and other projects. This chapter describes the project accounting and billing capabilities available in R★STARS.

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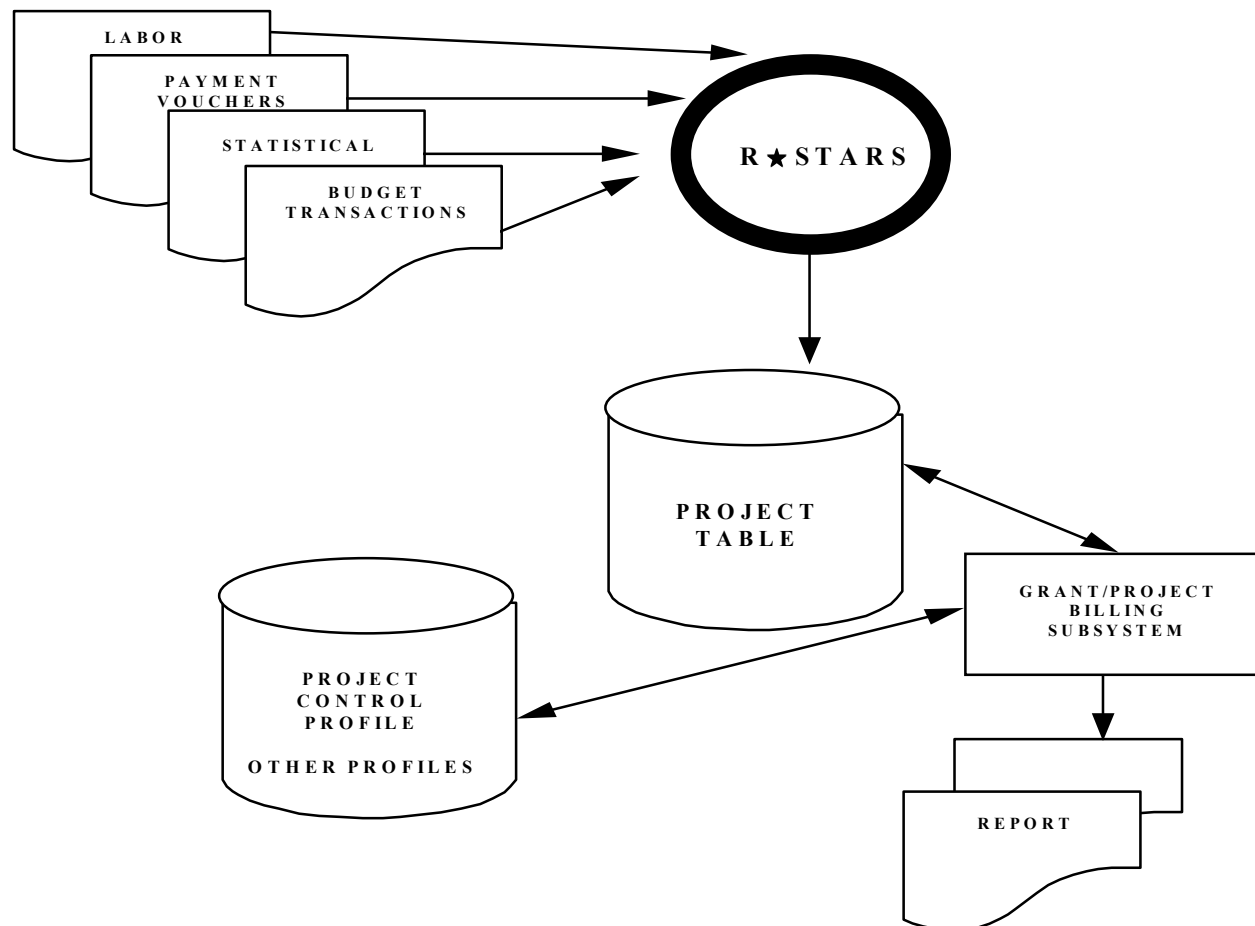
## 12.1 PROJECT ACCOUNTING OVERVIEW

The Project Subsystem of R★STARS provides unique capabilities for tracking project-related financial and statistical information and generating billing transactions for internally and externally funded projects. This section describes these capabilities and is divided into the following topics:

- Project Accounting Capabilities
- Project Budgeting Capabilities
- Project Billing Capabilities
- Project-Related Profiles

The figure below illustrates the flow of project-related data in R★STARS.

### PROJECT ACCOUNTING OVERVIEW



## **Project Accounting Capabilities**

Project expenditures, revenues, receipts, budgets and statistical information are accumulated in R★STARS through the use of a Project Number, Project Phase and Agency Code 2. These elements are independent of the other classification structures (e.g., fund, object, program and organization) in R★STARS. Furthermore, the accumulation of project information may span unique accounting periods ranging from a few days to many years.

The project number element is established in the Project Number profile (D42) and the Project Phase element is established in the Project Control profile (27) which defines how costs are accumulated and how reimbursable projects are billed. If the third level, Agency Code 2, is used in project accounting, the Agency Code 2 element must be established in the D27 Agency Code 2 profile and referenced in the 27 Project Control profile. Larger projects such as capital projects may be defined in phases which may represent work units such as design, engineering, construction, and so on. The Project Number, Project Phase, Agency Code 2 and Project Control profiles are defined by each agency. Project categories are defined systemwide.

Once a project profile record has been established, there are several ways that the project number, phase and agency code 2 may be captured on accounting transactions. These methods include:

- Enter the project number, phase and agency code 2 directly on the accounting transaction.
- Store the project number, phase and agency code 2 in the 24 Index Code profile where they will be looked-up whenever the index code is entered.
- Store the project number, phase and agency code 2 in the 26 Program Cost Account (PCA) profile to be looked-up whenever the PCA is entered.
- Store the project number, phase and agency code 2 in a 29 Grant Control profile where they will be looked-up whenever the grant number and phase are entered or looked-up from another element.

These methods provide coding reduction techniques for each agency. However, agencies should select a single method which is applied consistently to reduce confusion and increase overall accuracy.

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When the project number, phase and agency code 2 are coded or looked-up on accounting transactions, the financial or statistical data is recorded in the Project Table if the transaction code supports posting to this table. The project financial table is independent of other R★STARS financial tables. Thus, budgets may be set independently of organizational, program or other types of agency budgets. This data includes expenditures, encumbrances, revenues, accounts receivable, and budgets. Regardless of the project type selected, the actual amount, financial or statistical, entered on the transaction is recorded in the Project Table. This data is then accessed by R★STARS to generate project-related reports, generate billing transactions and provide budgetary control if desired.

The budgeting and billing capabilities are described below, followed by a description of the profiles used in project accounting.

## **Project Budgeting Capabilities**

There are two types of project budgets: Billable and expendable. These budgets may be recorded at the project, phase, object, or agency code 2 level.

The indicators that control the posting of information to the Project Table are listed below:

- **Project Number Profile — Project Phase Budget Level Ind** — yes/no indicator that controls the posting of phase.
- **Project Control Profile — Expenditure or Revenue Post Level Ind** —
  - 0** — No Fund or Object
  - 1** — Comptroller Object
  - 2** — Agency Object
  - 3** — Agency Object Group
  - A** — Fund and no Object
  - B** — Fund and Comptroller Object
  - C** — Fund and Agency Object
  - D** — Fund and Agency Object Group

If the value is “3” or “D,” the agency object entered on the accounting transaction is used to look up the agency object group. Agency and project number are always posted to the Project Table.

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There are 32 possible project budget posting combinations. They are represented by the following matrix:

<b>Key on the Project Control Profile</b>	<b>No Fund No Object</b>	<b>Comp Object</b>	<b>Agency Object</b>	<b>Agency Object Group</b>	<b>Fund No Object</b>	<b>Fund and Comp Object</b>	<b>Fund and Agency Object</b>	<b>Fund and Agency Object Group</b>
<b>Project</b>	0 N Blank	1 N Blank	2 N Blank	3 N Blank	A N Blank	B N Blank	C N Blank	D N Blank
<b>Project and Phase</b>	0 Y Blank	1 Y Blank	2 Y Blank	3 Y Blank	A Y Blank	B Y Blank	C Y Blank	D Y Blank
<b>Project Phase and Agency Code 2</b>	0 Y In D27	1 Y In D27	2 Y In D27	3 Y In D27	A Y In D27	B Y In D27	C Y In D27	D Y In D27
<b>Project and Agency Code 2</b>	0 N In D27	1 N In D27	2 N In D27	3 N In D27	A N In D27	B N In D27	C N In D27	D N In D27

The first value in each cell represents the expenditure and revenue posting level indicators on the Project Control profile (27).

The second value in each cell represents the project phase budget level indicator on the Project Number profile (D42).

The third value indicates whether the key to the Project Control profile(s) for the project contain(s) an agency code 2 value (in D27) or is blank.

Billable and expendable budgets are further discussed below.

### **Billable Budgets**

Billable budgets are designed to limit the total billings against a project, phase or expenditure object or agency code 2 within project or phase. In addition to limiting the amount of the bill, billable budgets are used to limit the types of expenditures billed. For example, if only personnel service costs are reimbursable, a billable budget could be entered for object 1000 (salaries and

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wages) costs only. In this way, only object 1000 expenditures would be billed even though other costs may be charged to the project.

Billable budgets, if utilized, must be entered at the same level as the expenditure posting level indicator in the Project Control profile. They must be entered for the appropriate objects (Comptroller or agency) except for Billing Method 3, Standard Costs Per Unit To Budget, which must be entered at the phase level regardless of the expenditure posting level indicator. Unless these rules are followed, expenditures will not be billed.

**Phase Level Budgeting:**

0 - Phase	Any objects	One budget at phase level
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**Object level budgeting, all objects to be billed:**

1 - Object	Object 1000	Object 1000
	Object 2000	Object 2000
	Etc.	Etc.

**Object level budget, only Object 1000 to be billed:**

1 - Object	Object 1000	Object 1000
	Object 2000	None
	Object 4000	None

In summary, a budget must be recorded for each expenditure record established in the Project Table which is to be billed.

### **Expendable Budgets**

The second type of project budgets, expendable budgets, may be recorded to limit the amount of expenditures charged to the project. When expenditure transactions are entered against a project, the available balance of the expendable budget is compared to the amount of the expenditure.

Expendable budget control may be defined as fatal, warning or ignore as follows:

- **Fatal** — expenditures that exceed the expendable budget will not post to the Project Table.
- **Warning** — expenditures that exceed the proposed expendable budget will post to the Project Table and will be reported with a warning message.

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- **Ignore** — expenditures that exceed the expendable budget post to the Project Table without warning messages.

Like billable budgets, expendable budgets may be recorded at the project or phase level or at an object or agency code 2 level within project or phase. By entering expendable budgets at a level below project or phase, the types of expenditures charged against a project may be controlled. For example, if fatal control is selected for an expendable budget for services and supplies, only services and supplies expenditures may be charged to that Project Table record.

Expendable budgets must be recorded using the same rules as those described above for billable budgets. That is, expendable budgets must be entered at the same level as the expenditure posting level indicator in the 27 Project Control profile and must be entered for the appropriate objects.

## **Project Billing Capabilities (Not used in Michigan)**

The billing capabilities in R★STARS may be selected on a project or phase-by-phase basis and include two primary options in the 27 Project Control profile:

- **Cycle Selection** — billing transactions may be calculated at each month end or on specific dates or other cycles such as quarterly:
  - 0 — Project not billed
  - 1 — Automatic billing during month close
  - 2 — Automatic billing by date
- **Billing Method** — bills may be calculated with or without regard to billable budgets and may be calculated using actual costs, standard percentages or standard costs (rate) per unit. Each billing method is described below:
  - 0 — **Project Not Billed** — billings are not generated. This method is used for non-reimbursable projects. These projects will not be selected for billing.
  - 1 — **Standard Cost Per Unit** — billings are calculated by multiplying the standard billing rate by the total units posted project-to-date and subtracting previously billed amounts.
  - 2 — **Standard Percentage** — billings are calculated by multiplying the standard billing percentage by total project-to-date expenditures and subtracting previously billed amounts.

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- 3 — **Standard Cost Per Unit to Budget** — billings are calculated by multiplying the standard rate times the project-to-date units. This method then bills the lower of the calculated bill less previously billed amounts or the billable budget less previously billed amounts. Billable budgets are restricted to phase level only.
- 4 — **Standard Percentage to Budget** — billings are calculated by multiplying the standard percentage times project-to-date expenditures. This method then bills the lower of the calculated bill less previously bill amounts or the billable budget less previously billed amounts.
- 5 — **Actual** — billings are generated for the actual expenditures project-to-date less previously billed amounts.
- 6 — **Actual to Budget** — bills the lower of the billable budget less previously billed amounts or actual expenditures less previously billed amounts.

Projects are identified within R★STARS by the project billing type indicator which has the following values:

- 1 — **Other Project** — may be reimbursed externally. One accounts receivable transaction is reported at the phase level, if billed. Any billing cycle may be selected.
- 2 — **Capital Project** — treated the same as Billing Type 1.
- 4 — **Interagency** — may be reimbursed internally. If billed, one charge transaction and multiple recovery transactions are generated. Only billing cycles “0” or “1” may be used.
- 5 — **External Project** — may be reimbursed externally. If billed, one charge and multiple recovery transactions are reported but not automatically posted. Any billing cycle may be selected.

Any project type may be used to accumulate project-related expenditures, revenues, budgets and statistical information. In addition, each project may be defined as reimbursable or non-reimbursable.



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The type of transactions generated depends upon the Project Billing Type, as follows:

<b>1 — Other</b>	Receivable
<b>2 — Capital Project</b>	Receivable
<b>4 — Interagency Agreement</b>	Charge Recovery Deficit
<b>5 — External Project</b>	Receivable Deficit

Each type of billing transaction is described below:

■ **Charge transaction** — charges an internal buyer.

DR — Expenditure Control - Accrued

CR — Due to Other Funds

May also liquidate a previously entered encumbrance.

■ **Recovery transaction** — credits the seller.

DR — Due from other funds

CR — Revenue Control - Cash

DR — Revenue Control - Accrued

CR — Due from Other Funds

■ **Receivable transaction** — credits the seller when an external buyer is involved.

DR — Due from Other Funds

CR — Revenue Control - Accrued

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- **Deficit transaction** — charges the seller's deficit accounts (in the Agency Control profile, 25) when a billable budget is exceeded and multiple seller Indexes are involved.

DR — Expenditures

CR — Accounts Payable

The deficit transaction plus the recovery transaction equals the charge transaction.

The following exhibit illustrates the billing transactions which may be calculated for each Project Billing Type. Simple cases are shown to illustrate each point. Budgets, if any, are assumed to be entered at the phase level. These examples are further described below:

- **Project Billing Type 1** — since no billable budget is used, the single receivable transaction is generated for the total expenditures and may be reimbursed externally. Any billing cycle may be selected.
- **Project Billing Type 2** — a billable budget is entered for \$90,000; therefore, the receivable transaction is limited to the amount of the budget and is treated the same as Billing Type 1.
- **Project Billing Type 4** — the billable budget for this interagency project example is less than the total expenditures and, since multiple indexes charged the project, the use of billing deficit accounts is required. The charge to the buyer is limited to the \$3000 billable budget. The total recoveries to the indexes charging the project are \$4000. The deficit transaction for \$1000 “balances” the charge and recovery transactions as follows:

Charge plus Recovery equals Deficit

$$\$3000 + <\$4000> = <\$1000>$$

- **Project Billing Type 5** — this example assumes no billable budget has been entered. Since two indexes were charged to the job, two receivable transactions are generated to record revenue to both indexes.

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Project Type	Expenditures	Billable Budget	Billing Transactions	
1 (Other)	100,000	None	DR Accounts Receivable	100,000
			CR Revenues	100,000
2 (Capital Project)	100,000	90,000	DR Accounts Receivable	90,000
			CR Revenues	90,000
4 (Interagency)	Index A 1,000	3,000	Charge to buyer:	
	Index B 3,000		DR Expenditures	3,000
			CR Cash	3,000
			Recovery to seller:	
			DR Cash- Index A	1,000
			CR Revenue - Index A	1,000
			DR Cash - Index B	3,000
			CR Revenue - Index B	3,000
			Deficit to seller:	
			DR Revenue - Billing	1,000
			Deficit Index	1,000
			CR Cash	
5 (external)	Index A 1,000	None	DR Accounts Receivable - Index A	1,000
	Index B 3,000		CR Revenue - Index A	1,000
			DR Accounts Receivable - Index B	3,000
			CR Revenue - Index B	3,000

The above example has served to illustrate some of the key concepts associated with the use of the Project Billing Subsystem. It should be understood, however, that this subsystem may be used simply to accumulate and report costs or it may be used to both accumulate and bill costs. The level of complexity may vary with the needs of each agency for each project.

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The exhibit below summarizes the key concepts presented in this section in terms of the billing options available for each Project Billing Type.

Billing Type	Description	Billing Cycle	Billing Method	Billing Trans	Recovery Trans	Deficit Trans
1 2	Other Capital Project	2	1 2 3 4 5 6	N/A N/A Phase level Any level = Exp Object Level Indicator N/A Any level = Exp Object Level Indicator	One Transaction for each combination of Index, PCA	Not Used
4	Interagency Agreement - One charge transaction at the phase level	0, 1	1 2 3 4 5 6	N/A N/A Phase level Any level = Exp Object Level Indicator N/A Any level = Exp Object Level Indicator	One Transaction for each combination of Index, PCA	Used
5	External Project	2	1 2 3 4 5 6	N/A N/A Phase level Any level = Exp Object Level Indicator N/A Any level = Exp Object Level Indicator	One Transaction for each combination of Index, PCA	Used

This exhibit should serve as the primary tool in selecting the Project Billing Type to use for each project.

The following paragraphs outline the functions and contents of the R★STARS profiles and tables related to project accounting.

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### Project-Related Profiles and Tables

The project accounting and billing process is controlled by a series of indicators, data elements and financial data recorded in system profiles and tables. These profiles and tables include:

- Project Control Profile (27)
- Project Number Profile (D42)
- Project Type Profile (D06)
- Project Group Profile (D60)
- Project Category Profile (D41)
- Agency Control Profile (25)
- Agency Code 2 Profile (D27)
- Grant/Project Billing Request Profile (92) (**forthcoming w/Release 98-2**)
- Project Financial Table

The functions of each of these profiles in the project accounting and billing process are discussed in the paragraphs below.

#### Project Control Profile

The Project Control profile is used to identify and account for projects and interagency agreements in R★STARS. The Project Control profile maintains a variety of information regarding each individual project, project phase or agency code 2. Project billing type, billing method, posting indicators, control dates and a number of other classification elements are maintained for each project, project phase or agency code 2.

The format of the Project Control profile is divided into several segments: control key; information elements; indicators; billing information; billing classification elements and recovery classification elements. The following paragraphs provide a description of the data segments maintained in the Project Control profile.

This profile is maintained by the controlling or servicing agency and includes:

- **Project Identification** — these elements include the agency, project number, project phase, agency code 2, title of project phase, project type and look-up elements used to reduce coding on project-related transactions. Effective start and effective end dates are included to open and close the project for posting financial transactions.
- **Indicators** — this segment defines the levels used to post financial information to the Project Table and the severity of expendable and revenue project controls.

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- **Billing Information** — these elements define how and when the billable project will be billed. The billing type, billing method, billing cycle and billing dates (in MMDD format) are included. Additionally, the object range and rate, also used for standard percent, are included in this segment. The customer number and mail code are used for externally reimbursed projects. Three yes/no indicators are provided to allow the user to indicate whether billing computation is based on soft match, in kind, or memo entries.
- **Billing Classification Elements** — this segment defines how the internal charge transaction to the buyer will be generated for interagency contracts. The transaction code defines the type of transaction and the classification elements define which index, Comptroller or agency objects, fund and appropriation year will be included on the transaction.
- **Recovery Classification Elements** — this segment defines how the recovery transaction to the seller will be generated for reimbursable projects. Included are the transaction code and all the classification elements used to record revenue, expenditure reimbursement and accounts receivable transactions.

The Project Control profile control key uniquely identifies each Project Control profile record. The control key includes an agency, project number and project phase, and agency code 2. The agency field identifies the agency responsible for the particular project. The project number identifies each project and the phase identifies a further breakdown of a project. Agency code 2 indicates budgeting, billing, or tracking control for the project at the task level.

**Project Number Profile**

The D42 Project Number profile is used to enter a title or description of the project number. This title is then displayed on project-related reports. The title for each phase of the project is maintained in the Project Control profile described above. The project type is entered on this profile and displayed on the Project Control profile. The project category is defined. The project phase budget indicator determines whether a project is controlled at the phase level (value equals "Y"). The agency budget indicator determines the posting of project information (no project, project or project and phase) to the Agency Budget Financial Table. Information on the project manager is also indicated on this profile.

**Project Type Profile**

The D06 Project Type profile is agency defined and contains the valid project types of each agency.

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**Project Group Profile**

The D60 Project Group profile is agency defined and identifies project groups and associated titles.

**Project Category Profile**

The D41 Project Category is systemwide defined and contains the valid project categories. Project categories serve as alternative roll ups of projects used for reporting purposes.

**Agency Control Profile**

To provide each agency with a method of controlling those expenditures which exceed the billable budgets, a unique classification is established in the 25 Agency Control profile. This classification, called the “billing deficit accounts,” consists of:

- Index
- PCA
- Comptroller object, Agency object

The system posts this classification in the Accounting Events Table for recoveries exceeding billable amounts. The system also extracts this classification from the Accounting Events Table when the billing transaction is generated to check for costs that exceed a billable budget.

Billing deficit accounts are generally utilized when an agency has multiple indexes, PCAs, or agency sales charging a project with expenditures in excess of the billable budget. For example, if two organizations charge costs to an interagency agreement with a billing method of “actual costs up to the billable budget” (Billing Method 6), total costs are \$100 and the billable budget is \$75, the system would charge the excess \$25 of costs to the Billing Deficit Accounts defined in the Agency Control profile. The following illustrates this example:

<u>Index</u>	<u>Costs Charged to Project</u>	<u>Costs Recovered</u>
10000	\$60	\$ 60
20000	40	40
Deficit		<u>(25)</u>
Total Billed		<u>\$ 75</u>

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The \$25 charged to the default accounts is a “negative recovery” which is required to make the billing transaction balance. The deficit accounts are required because the system is unable to determine to which charging accounts to record the negative recovery.

Billing deficit accounts are also used when a rate is applied to statistical units, billing methods “1” and “3,” and when a rate exceeding 100% is applied to expenditures, billing methods “2” and “4.” The following examples illustrate:

<u>Index</u>	<u>Costs Charged to Project</u>	<u>Costs Recovered</u>
<b><u>Cost Per Unit Methods:</u></b>		
10000	\$ 60	\$ 60
20000	40	40
Deficit		<u>100</u>
Total Billed (10 units x \$20)		<u>\$200</u>
<b><u>Standard Cost Methods:</u></b>		
10000	\$ 60	\$ 60
20000	40	40
Deficit		<u>50</u>
Total Billed (\$100 x 150%)		<u>\$150</u>

In both of these examples, the billing deficit accounts are “charged” with positive recoveries. Depending upon the rates established under these billing methods, the billing deficits may be positive or negative.

One important rule must be followed. Once billing deficit accounts have been established in the Agency Control profile and utilized by the Project Billing Subsystem, they may not be changed. Billing deficit accounts may only be changed when a new Agency Control profile record is established each year.

### **Agency Code 2 Profile**

The D27 Agency Code 2 profile is agency defined and may optionally be used to track project budgets and generate project bills. Input coding instructions are included in the Data Entry Guide Chapter 5.

### **Grant/Project Billing Request Profile (Forthcoming w/Release 98-2)**

The 92 Grant Project Billing Request profile provides the ability to generate detailed billing reports (proof lists) and generate billing transactions for grants and projects which are not scheduled to be billed on specific dates. The billing schedules are defined in the Grant Control



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and Project Control profiles. One Grant/Project Billing Request Profile record is set up for each agency. This profile contains the following elements:

- **Fiscal Period** — identifies the accounting period to be billed. The values are:
  - CM** — Current month
  - PM** — Prior month
- **Bill Cycle Selections** — identifies the projects to be billed based on dates entered in the Project Control profile.
- **Transaction Indicator** — tells the system to either generate a proof list of the billing transactions or to generate the actual billing transactions.
- **Exclude/Include Fields** — provides the ability to identify specific grants and projects to exclude from the proof lists (P) or billings (G) or, conversely, to specifically include grants and projects whose billing dates are not included in the bill cycle selections entered.

The use of this profile is only required if the billing detail reports are needed for projects and grants not scheduled for billing at period end.

### **Project Financial Table**

The Project Financial Table contains the financial amounts used by the Project Billing Subsystem to calculate the amounts to be billed. It is also used to control expendable budgets and by users for on-line inquiry. Balance types contained in this financial table include:

- **11 — Estimated Revenues**
- **12 — Cash Revenues**
- **14 — Accrued Revenues**
- **15 — Cash Expenditures**
- **16 — Cash Reserved for Payroll**
- **17 — Accrued Expenditures**
- **18 — Encumbrances Outstanding**

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- 19 — **Pre-encumbrances Outstanding**
- 20 — **Cash Transfer In**
- 21 — **Cost Transfers Out**
- 22 — **Cost Allocation Memo Expenditures**
- 23 — **Prior Year Revenue**
- 24 — **Prior Year Expenditure**
- 25 — **Billable Budget** — specifies the maximum amount to be billed. To generate transactions for billing methods “3,” “4,” or “6” this amount must be entered. If this amount is blank, a zero budget is assumed by the system.
- 26 — **Expendable Budget** — specifies the total expenditures to be charged to a project. The expendable budget is examined when transactions are posted to ensure an available project budget exists.
- 27 — **Advances Made** — the amount of cash advances received to date.
- 28 — **Amounts Billed**
- 29 — **Units Budgeted**
- 30 — **Units Accumulated** — the amount of units accumulated-to-date.
- 31 — **Labor Distribution Clearing**
- 32 — **Cost Allocation Clearing**

The financial amounts in the Project Financial Table may be reviewed or reported on many different time frames, including:

- Current month
- Prior month
- Prior year

Activity data, year-to-date or life-to-date data is maintained for each of the time frames. This enables flexible reporting to meet a variety of different needs.

## 12.2 ESTABLISHING A PROJECT

To utilize the project accounting capabilities of R★STARS, the following steps must be performed to set up the project:

1. **Determine the Project Category** — this is a systemwide profile which defines the project category and the associated title for reporting purposes.
2. **Establish the Project Group** — this is an agency defined profile which identifies project groups for reporting purposes.
3. **Establish the Project Type** — used to associate a project with a particular agency defined project type. It is strictly informational and independent of billing type.
4. **Establish the Project Number Profile** — which is used to provide a title for the project number and control phase budgeting.
5. **Establish the Agency Code 2 Profile (Optional)** — used to provide a title for the task level.
6. **Establish the Project Control Profile** — required to establish cost accumulation and billing processes in the system prior to recording expenditure, revenue or budget transactions.
7. **Record Project Budgets** — below the agency level, projects are identified within R★STARS by the Project Type indicator. Project types are agency defined two (2) digit codes and associated title information used to group similar projects. They are profiled in the D06 Project Type profile.

The profiles must be established in the order listed above.

### Establishing the Project Number Profile

The Project Number (D42) profile provides a title for the project number in the system which is used for reporting purposes. The title or description of the project phase is recorded in the Project Control profile, described above. It also includes:

- **Project Phase Budget Indicator** — to allow for budgeting at a lower level than Project.
- **Project Manager Identification** — name and/or title and a phone number.

## **Establishing the Project Control Profile**

The Project Control profile is required to establish cost accumulation and billing processes in the system prior to recording expenditure, revenue or budget transactions.

The input coding instructions for this profile are included in the R★STARS Data Entry Guide.

## **Recording Project Budgets**

When project expendable or billable budgets are utilized, the budgets must be entered as standard financial transactions using the on-line data entry capabilities, or key to disk if available, of R★STARS. These budgets are entered using transaction codes established specifically for this purpose. If both the billable and expendable budgets are the same amount, a single transaction may be entered. The billable and expendable budgets require two transaction codes.

Once the project budgets are established, they may be adjusted, increased or decreased, at any time by entering adjustment transactions into the system in the same manner as the original budgets were entered. Normally, decrease adjustments are entered with the reverse code set to "R."

## **Project/Grant Effective End Dates**

If you are using the project and/or grant profiles, it is important NOT to have an effective end date that is before the date that ALL recorded and generated transactions have posted. This includes all system generated liquidation and redemption transactions. Failure to adjust effective end dates to the last date that a transaction is posted will result in errors. Adjustment of effective end dates includes removing the effective end date on the profile(s) or extending them.

## **12.3 MONITORING PROJECT EXPENDITURES**

Encumbrance and expenditure transactions which are project related are recorded in the Project Financial Table. Statistical transactions, such as labor hours or machine units, may also be recorded in the Project Financial Table. Encumbrance and expenditure transactions may be controlled against available project expendable budgets if this option is chosen. This section describes recording and controlling encumbrance and expenditure transactions and recording statistical transactions.

### **Recording Project Expenditures**

Expenditure transactions which are associated with a project are entered with a project number, phase and agency code 2 or with another element (index, PCA, or grant number) which looks up the project number/phase/agency code 2. Expenditure transactions may be entered as payroll voucher transactions for labor costs or as payment voucher transactions. Encumbrance transactions may also be entered with a project number/phase/agency code 2 to record the encumbrance against a project expendable budget.

### **Controlling Expendable Budgets**

Encumbrance and expenditure transactions are controlled against the project expendable budget, if this option is chosen. If the Project Control Type indicator in the Project Control profile is set to "1," encumbrance and expenditure transactions which exceed the expendable budget will be rejected and written to the Error File. If set to "2," these transactions will post to the financial tables, including the Project Financial Table, and a warning message will be issued. If set to "0," these transactions will post to the financial tables and will not be evidenced by an error message.

### **Recording Statistics**

Statistical units, such as labor hours, machine hours and miles, may be recorded against projects as statistical transactions through the normal data entry process. Statistical units must be recorded, if the billing method selected calculates billings by applying a rate to the units accumulated against the project. For example, if the billing method is "1," standard rate per unit, billings will only be generated if units are recorded in the Project Financial Table. Statistical units may also be recorded on an optional basis when other billing methods are selected, in which case the units will be reported for informational purposes only.

To record statistical units the standard data entry procedure is followed. These transactions are entered using special statistical transaction codes. The units are accumulated in the Project Financial Table for billing and/or reporting purposes.

## **12.4 MONITORING PROJECT REVENUES AND RECEIPTS**

Project-related revenues and receipts are entered into R★STARS with the project number/phase/agency code 2 entered or looked-up on the financial transactions. Recording revenues and receipts against projects is optional for most projects. However, recording this information improves the value of the reports generated from the Project Financial Table. Billing transactions which record revenue, expenditure reimbursements or accounts receivable may be limited to the billable budget, if this option is selected.

This section describes the recording of revenue transactions and the controlling of revenue against billable budgets.

### **Recording Project Revenues and Receipts**

Revenue transactions are not automatically generated for capital, external or other projects. Instead, the transactions are reported on billing detail reports and should be reviewed and entered manually into R★STARS through the standard financial data entry procedure whenever invoices or claims are submitted to the buyer. If these accounts receivable transactions are not entered, subsequent reports will be misleading because the accrued revenue will not be displayed or accounted for in the system.

It is also important to record cash receipt transactions with the related project number/phase/agency code 2 to ensure that the receipt is recorded in the Project Financial Table. If both accounts receivable and cash receipts are recorded against reimbursable projects, the projects will be fully accounted for in the system.

### **Controlling Billable Budgets**

Revenue, expenditure reimbursement and accounts receivable transactions may be limited to the billable budget amount, if certain billing methods are chosen. The Grant/Project Billing Subsystem calculates the total cumulative-to-date expenditures, deducts previously billed amounts and compares the result to the billable budget. The billing is then generated for an amount up to the billable budget amount.

Users should monitor billable budgets to ensure that they are reasonable and that the appropriate amount of billing transactions are being generated.

## **12.5 PROJECT BILLING**

### **(Forthcoming w/Release 98-2)**

Once projects are established in the system files and expenditure transactions are recorded against the projects, the Grant/Project Billing Subsystem may be utilized to generate or report billing transactions for reimbursable projects. The following steps may be required depending upon various circumstances:

- Establish billing deficit accounts.
- Define the billing transactions.
- Request billing detail reports.

These steps are described below.

### **Establishing Billing Deficit Accounts**

Billing deficit accounts must be established by agencies which meet the following criteria:

- Have reimbursable projects.
- Utilize billable budgets.
- Have projects against which expenditures will be charged with multiple indexes, PCAs, or agency codes.
- Utilize rates to calculate billings.

Most agencies which meet the first two criteria will also have multiple indexes, PCAs, or agency codes charged to projects with expenditures in excess of a billable budget. If any agency is in doubt as to whether billing deficit accounts are required, the agency should establish them even though they may never be used.

Billing deficit accounts are recorded in the Agency Control profile for each agency. The input coding instructions for this table are included in the R★STARS Data Entry Guide.

## **Defining Billing Transactions**

The Project Control profile contains the following two segments which are used by the Project Billing Subsystem to generate or report billing transactions:

- **Billing Classification Elements** — specifies the classification used in the charge transaction to record billing activity. Additionally, this segment of the profile specifies the data elements which are printed on the Project Billed Detail report (DAFR4021). It is completed for Interagency Projects (billing type “4”) only. The entire segment, except for agency and index, must be left blank, if the billing method is “0.” The entire segment must be left blank, if the billing type is “1,” “2,” or “5.”
- **Recovery Classification Elements** — this portion of the profile includes the data to be used when building the transaction to record the revenue or expenditure reimbursement in the seller’s accounting records. For all billable projects, the transaction code and Comptroller object are required. In addition to these elements, the index is required for billing types “1,” “2,” and “5” when billable. The entire segment must be left blank, if the billing method is “0.”

## **Requesting Project Billing**

Most projects are typically scheduled for billing to occur automatically at month end. However, projects may also be scheduled for billing on specific dates, each quarter and on other unique cycles. For reimbursable projects which are not scheduled for automatic month-end billing, users must “request” the billing to occur through the use of the Grant/Project Billing Request profile. This profile is used to request project billing detail reports for all projects and to request generation of billing transactions not scheduled for month-end billing.



## 12.6 REPORTING

R★STARS provides on-line inquiry and hard copy reports which are useful in monitoring project-related financial information. This section describes the on-line inquiries and reports.

### On-Line Inquiry

The on-line inquiry capabilities of R★STARS provide an inquiry screen which is directly related to project accounting. The record inquiry displays information in a file posting format. The inquiry is shown at the levels defined by the expenditure and revenue posting level indicators in the Project Control profile. Therefore, it is important to set these indicators at the level desired for on-line inquiry, unless project budget levels conflict with this requirement. The primary source of on-line financial information for projects is available through the 80 Project Record Inquiry screen. The key to this screen is agency, project, phase, agency code 2, appropriated fund, fund and Comptroller/Agency object. The level of information maintained in this table is defined in the Project Control profile indicators. The 56 Project Transaction Inquiry screen reads the Accounting Event Table. This inquiry screen provides transaction information for an agency with regard to particular projects and balance types.

### Standard Project Reports

The reporting capabilities in R★STARS are an important feature in the project accounting and billing area. Project-related reports may be used to monitor project expenditures, revenues and budgets, to verify billing transactions and to support external audit requirements. Project reports are available with a number of different sorts to enable review of financial information by various classifications. In addition, profile listing reports may be generated to display the contents of such profiles as the Project Control profile and Grant/Project Billing Request profile.

Additional information on project-related reports and how to request reports is provided in the R★STARS Data Entry Guide.